

HOUSE BILL NO. 572

INTRODUCED BY R. ERICKSON

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A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING PROPERTY TAX RELIEF BY ALLOWING AN INDIVIDUAL INCOME TAX CREDIT FOR PROPERTY TAXES PAID ON A TAXPAYER'S PRINCIPAL DWELLING; ESTABLISHING A MAXIMUM AMOUNT OF PROPERTY TAXES AGAINST WHICH THE CREDIT APPLIES; INCREASING THE RENT-EQUIVALENT TAX PAID UNDER THE RESIDENTIAL PROPERTY TAX CREDIT FOR THE ELDERLY TO ALLOW ELDERLY RENTERS AN INCREASED CREDIT; AMENDING SECTION 15-30-171, MCA; AND PROVIDING AN APPLICABILITY DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. Section 1. Tax credit for residential property tax relief. (1) A taxpayer is allowed a tax credit against the taxes imposed by 15-30-103 in an amount equal to 10% of the amount of Montana property taxes, not to exceed \$3,000, paid by the taxpayer during the year on the taxpayer's principal residence. The credit allowed under this section may not exceed the taxpayer's income tax liability.

(2) Only one claim may be made with respect to any property.

(3) There is no carryback or carryforward of the credit permitted under this section, and the credit must be applied to the tax year in which the tax payments are made.

(4) (a) For each tax year beginning on or after January 1, 2009, the department shall recompute the maximum amount of property taxes that may be incurred for an allowable tax credit under subsection (1). The adjustment to the gross household income level is determined by multiplying \$3,000 by the ratio of the PCE for the second quarter of the year prior to the year of application to the PCE for the second quarter of 2008.

(b) "PCE" means the implicit price deflator for personal consumption expenditures as published quarterly in the Survey of Current Business by the bureau of economic analysis of the U.S. department of commerce.

(c) If any change in the maximum property taxes determined under subsection (4)(a) is not a multiple of \$10, the increase must be rounded to the nearest multiple of \$10.

(5) For the purposes of this section, the following definitions apply:

(a) "Montana property taxes" means the ad valorem real property taxes imposed on property classified under 15-6-134 that were assessed in the calendar year on the owner's principal residence.

1 (b) "Owned" includes purchasing under a contract for deed and being the grantor or grantors under a
2 trust indenture.

3 (c) "Principal residence" means a single-family dwelling unit, unit of a multiple-unit dwelling, trailer,
4 manufactured home, or mobile home and as much of the surrounding land, not exceeding 1 acre, as is
5 reasonably necessary for its use as a dwelling and that was owned and occupied by the taxpayer for at least 7
6 months during the year.

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8 **Section 2.** Section 15-30-171, MCA, is amended to read:

9 **"15-30-171. Residential property tax credit for elderly -- definitions.** As used in 15-30-171 through
10 15-30-179, the following definitions apply:

11 (1) "Claim period" means the tax year for individuals required to file Montana individual income tax
12 returns and the calendar year for individuals not required to file returns.

13 (2) "Claimant" means a person who is eligible to file a claim under 15-30-172.

14 (3) "Department" means the department of revenue.

15 (4) "Gross household income" means all income received by all individuals of a household while they
16 are members of the household.

17 (5) "Gross rent" means the total rent in cash or its equivalent actually paid during the claim period by the
18 renter or lessee for the right of occupancy of the homestead pursuant to an arm's-length transaction with the
19 landlord.

20 (6) "Homestead" means:

21 (a) a single-family dwelling or unit of a multiple-unit dwelling that is subject to property taxes in Montana
22 and as much of the surrounding land, but not in excess of 1 acre, as is reasonably necessary for its use as a
23 dwelling; or

24 (b) a single-family dwelling or unit of a multiple-unit dwelling that is rented from a county or municipal
25 housing authority as provided in Title 7, chapter 15.

26 (7) (a) "Household" means an association of persons who live in the same dwelling, sharing its
27 furnishings, facilities, accommodations, and expenses.

28 (b) The term does not include bona fide lessees, tenants, or roomers and boarders on contract.

29 (8) "Household income" means the amount obtained by subtracting \$6,300 from gross household
30 income.

1 (9) (a) "Income" means, except as provided in subsection (9)(b), federal adjusted gross income, without
2 regard to loss, as that quantity is defined in the Internal Revenue Code of the United States, plus all nontaxable
3 income, including but not limited to:

4 (i) the amount of any pension or annuity, including Railroad Retirement Act benefits and veterans'
5 disability benefits;

6 (ii) the amount of capital gains excluded from adjusted gross income;

7 (iii) alimony;

8 (iv) support money;

9 (v) nontaxable strike benefits;

10 (vi) cash public assistance and relief;

11 (vii) interest on federal, state, county, and municipal bonds; and

12 (viii) all payments received under federal social security except social security income paid directly to a
13 nursing home.

14 (b) For the purposes of this subsection (9), income is reduced by the taxpayer's basis.

15 (10) "Property tax billed" means taxes levied against the homestead, including special assessments and
16 fees but excluding penalties or interest during the claim period.

17 (11) "Rent-equivalent tax paid" means ~~45%~~ 20% of the gross rent."
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19 **NEW SECTION. Section 3. Codification instruction.** [Section 1] is intended to be codified as an
20 integral part of Title 15, chapter 30, and the provisions of Title 15, chapter 30, apply to [section 1].
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22 **NEW SECTION. Section 4. Applicability.** [This act] applies to tax years beginning after December 31,
23 2007.
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